ASEAN Marketing Journal

Volume 2 | Number 2 Article 2

November 2021

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Recommended Citation

Yasin, Norjaya Mohd. and Aziz, Norzalita Abd. (2021) "Determinants of Brand Equity of Services: A Verification Approach in the Banking Industry in Malaysia," *ASEAN Marketing Journal*: Vol. 2 : No. 2 , Article 2.
DOI: 10.21002/amj.v2i2.1998
Available at: https://scholarhub.ui.ac.id/amj/vol2/iss2/2

DETERMINANTS OF BRAND EQUITY OF SERVICES: A Verification Approach in the Banking Industry in Malaysia

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This study attempts to verify the determinants of brand equity of services based on consumers' perception of a banking service. The conceptual framework of this study is based on customer-based brand equity called the Brand Resonance model which comprises of six building blocks namely brand salience, brand performance, brand imagery, brand judgment, brand feelings and brand resonance. Factor analyses were conducted on all items measuring the six constructs and the results produced only five factors i.e brand salience, brand performance, brand judgments, brand feelings and brand resonance as the determinants of brand equity of services. Reliability test on all these factors produced satisfactory reliability coefficients. Correlation analysis was also conducted on the study variables and the results indicate that there are strong, positive and significant relationships between brand performance and brand judgment, and between brand performance and brand feelings. Strong, positive and significant relationships are also found between brand performance and brand resonance, between brand judgment and brand resonance as well as between brand feelings and brand resonance.

***Keywords**: brand equity of services, consumers' perception of a banking service, brand salience, brand performance, brand imagery, brand judgment, brand feelings and brand resonance.*

Introduction

Recent writings on brand equity indicate that brand equity is the current marketing focus of many leading companies today. The usefulness of brand equity in the business world is undeniably important. It is not only important to businesses that offers tangible products but also the service organizations. Recent trends in marketing are creating global brands that compete across countries and cultures. With the efforts of many companies to have their service brands become more internationally recognized, it is increasingly important to understand service brand equity and to become more sophisticated in managing services.

Although branding is often associated with tangible goods, it is just as relevant for intangible goods such as services. In tangible goods, the physical product is the primary brand. For services, the service organization or the service provider is the primary brand. There are fundamental differences between goods and services which may have implications for brand equity. For example, the branding efforts for tangible products can be materialized through the product, packaging, labeling, and logo design. On the other hand, services lack the tangibility that allows packaging, labeling and displaying. Services are less standardized and are composed largely of abstract, experience attributes, the value of which must be inferred by the consumer (Cobb-Walgren, Ruble & Donthu, 1995).

According to Berry (2000), branding is a principal success driver for service organizations. Brand development is important in services because of the difficulty in differentiating products that lack physical differences (Zeithalm,

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1981). Besides, the intense competition in the service markets also makes service branding very relevant. Branding plays a special role in services because strong brands increase customers' trust of the invisible purchase (Berry, 2000). It offers an opportunity for consumers to establish a mental picture of the service. Strong service brands would enable customers to better visualize and understand intangible products.

Objectives of Study

The primary goal of this study is to gain an understanding of the formation of service brand equity from the perspective of the consumer. To accomplish this goal, the brand equity of service in the banking industry is examined. The main objective of this study is to empirically test a conceptual model of brand equity that investigates the factors involved in building a strong brand based on the Brand Resonance Model as proposed by Keller (2001). Specifically, this study focuses on the following objectives:

1. To verify the determinants of brand equity of services
2. To determine the relationship between the components of brand equity

The key to brand management and development is to understand what benefits consumers are looking for. As consumers today are more demanding, they are not just looking for functional benefits but they are also looking for intangible benefits such as image, status, personality, lifestyle, success and other factors that they can strongly relate. Therefore, what consumers are looking for are a list of attributes which go beyond the physical and tangible aspects of a product. This added value or the incremental utility of the product that comes with the brand name is termed brand equity.

The issue of brand equity has emerged as one of the most critical areas for marketing management since 1990s. The term brand equity has been referred to the tremendous value that the brand name brings to the producers, retailers and consumers of the brand. Brand equity appears where consumers willingly pay more for the same level of quality due to the attractiveness of the name attached to the product (Bello & Holbrook, 1995). In the marketing literature, brand equity is referred to the intangible brand properties. Brand equity arose from customer brand-name awareness, brand loyalty, perceived brand quality and favorable brand symbolisms and associations that provide a platform for a competitive advantage and future earning streams (Aaker, 1991). The equity that the strong brand possesses can give the company a loyal consumer franchise that could bring substantial returns to the firm.

The importance of brand equity in services can be looked from the perspective of the service provider and the consumer. To the service organization brand equity gives a differential advantage that enables the firm to generate greater profits including greater customer loyalty and also protects the firm's offerings from competitive attacks (Berry, 2000). Besides, brand equity creates a more favorable consumer response to price increases and decreases, greater trade and increased marketing communication effectiveness and brand extension opportunities. The differentiation that results from brand equity will lead to a competitive advantage that is based on non-price competition (Aaker, 1991). Besides, brand equity contributes to the overall image of the service provider by building traffic and ensures consistent sales volume. Many services industries such as financial services or telecommunication are facing increasing competition which makes it more important for the service provider to establish a strong brand not only in the market but also in the minds of the customer (Bamert & Wehrli, 2005)

However, all the benefits of brand equity would not be meaningful if the service has no meaning to the consumer. In other words, there is value to the service organization only if there is value to the consumer. A service can only be of value to the consumers if it gives satisfaction to them. Customer satisfaction can only come from an efficient and effective service offering. Thus, it is important to understand how the service brand value is created in the minds of the consumers and how this value is translated into consumer behavior such as purchase and choice decision and ultimately brand loyalty. Several writings have discussed the importance of brand equity and how to build and manage brand equity. Among them are those found in well-known books written by Aaker (1991), Kapferer (1995), Aaker (1996) and Keller (1998). The theoretical and practical implications of brand equity have been explored by a proliferation research literature in marketing (e.g. Aaker, 1996; Kamakura & Russel, 1991; Keller, 1993; Simon & Sullivan, 1993). For many years, brand equity has been a topic of interest in consumer goods market particularly the fast-moving consumer goods. In consumer goods markets, customer service can be considered as a marketing instrument, but in the services markets customer service is part of the perceived quality of a service (Bamert & Wehrli, 2005). According to Berry (1986), a key to success in services marketing is to "tangibilize the intangible" and one way to increase the tangible nature of a service is to use an extrinsic cue like a brand. Services brands help to reduce risk in consumers' purchase and optimize their cognitive processing abilities (Onkvisit & Shaw, 1989).

Literature Review

Brand equity is a multi-dimensional concept and a complex phenomenon. Several authors have proposed various models of brand equity and some of the established brand equity models are the Aaker Model (Aaker 1991), Customer-based Brand Equity (CBBE) model and the Brand Resonance model (Keller 2001), Brand Asset valuator by Advertising Agency Young and Rubicam, and BRANDZ model of brand strength by marketing research consultant Millward brown and WPP (as quoted in Kotler & Keller, 2006). Among the most commonly cited are the Aaker Model and CBBE model. Studies which empirically test the proposed constructs in the other models such as the Brand Resonance model are rather limited.

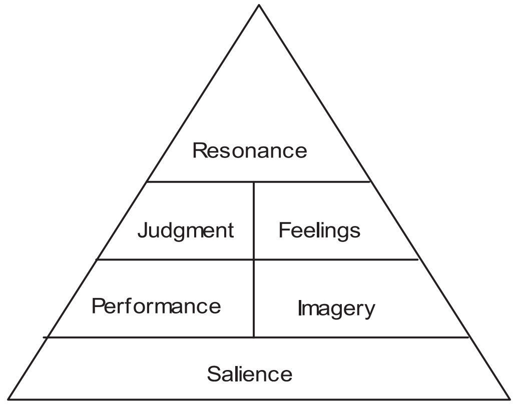
The theoretical framework for this study is based on the consumer based brand equity model called Brand Resonance model developed by Keller (2001). Keller proposed four main constructs namely brand identity, brand meaning, brand responses and brand relationships. These four constructs consists of six "brand building blocks" which he assembled as a brand pyramid (refer Fig. 1). The basic premise of the model is that the power of a brand lies in what customers learn, felt, seen and heard about the brand over time (Keller, 2001). The creation of brand equity involves reaching the top of the brand pyramid. According to Keller (2001), the six building blocks are: (1) Brand salience, which relates to how often the brand is evoked in purchasing and consumption situations, (2) Brand performance, the extent to which the product meets customers' functional needs, (3) Brand imagery, which relates to the extrinsic properties of the product, (4) Brand judgments which focus on customers' personal opinions and evaluations, (5) Brand feelings are customers' emotional responses and reactions towards the brand, and (6) Brand resonance which refers to the nature of customer-brand relationship and the extent to which customers feel that they are "in sync" with the brand (Keller, 2001; Kotler & Keller, 2006).

According to Keller (2001) in building a strong brand the first step is to ensure identification of the brand with customers. This is called brand salience which relates to aspects of customer awareness of the brand. The second step is to establish the brand meaning in the minds of customers which involves establishing a brand image. Brand meaning is made up of two major categories of brand associations that exist in customers' mind that is, performance and imagery. The third step is to elicit the proper customer responses in terms of their judgments and feelings with regard to the brand. The fourth and final step is to convert brand response to create an intense, active loyalty relationship between customers and the brand. This is termed as brand resonance which focuses upon the ultimate relationship and level of identification that customers have with the brand (Keller 2001). In the Brand Resonance model, customers with true brand resonance, have a high degree of loyalty and actively seek means to interact with the brand and share their experiences with others (Atilgan, Aksoy & Akinci, 2005)

Methodology

For the purpose of this study, the services offered by the private sectors will be examined by focusing only on banking services of commercial

Figure 1. The Brand Resonance Model



banks in Malaysia. The Klang Valley, which is located within the state of Selangor and Federal Territory, is chosen as the sampling area. Being the most modern and advance region economically and socially, the Klang Valley is the most densely populated region in Malaysia. Thus, heterogeneous sample that constitutes people from all ethnic groups and various demographic characteristics can be drawn from these areas. The table for determining sample size from a given population with the desired accuracy as suggested by Reeves (1992) is used as a reference for sample size. The population of consumers being considered in this study is those household members that are employed in organizations and holding positions in the professional, administrative and managerial, technical, clerical, sales and service areas. Based on Malaysian Statistics Department Report 1991, the population size for the eligible respondents in the Klang Valley is huge. From the table suggested by Reeves (1992), the required sample size for population of 500,000 and above is 399 at 95% confidence level. Therefore the required sample size for this study is 399.

This study employs cluster sampling, a type of probability sampling, which involves the division of the sampling area into regions. From each of these regions a probability sample of organizations were chosen where the final sample is then drawn from the employees of these organizations. A self-administered structured questionnaire was developed to collect quantitative data pertaining to the six building blocks of brand equity. A survey was conducted among consumers through self-administered questionnaires, which were distributed to the adult members of the population who have had service encounters with various commercial banks in Malaysia. All variables were measured based on consumers' perception and the measurements for the six constructs as proposed by Keller (2001) were adopted and adapted. Some self-constructed measurements were also included.

Results and Discussion

Respondents' Profile

A total of 480 usable questionnaires were gathered and analyzed. The characteristics of the sample is shown in the following Table 1.

Statistical Analysis

Exploratory Factor Analysis

For each of the item scales, factor analysis was used to reduce the total number of items to a smaller number of underlying factors. Principal components analysis was used to extract factors (eigen values > 1). Varimax rotation was used to facilitate the interpretation of the factor matrix. The Bartlett Test of Sphericity and the Kaiser-Meyer-Olkin measure of sampling adequacy

Table 1. Profile of Respondents

Characteristics	Frequency (N=480)	Percentage (%)
Gender		
Male	199	41.5
Female	281	58.5
Age		
18-22	140	29.2
23-27	114	23.8
28-32	83	17.3
33-37	41	8.5
38-42	42	8.8
More than 42 years	60	12.5
Ethnic group		
Malay	299	62.3
Chinese	123	25.6
Indian	51	10.6
Others	7	1.5
Education		
SPM/MCE	78	16.3
STP/HSC	44	9.2
Diploma	70	14.6
Bachelor's Degree	226	47.1
Masters/PhD	46	9.6
Others	16	3.3
Income		
1000 and below	183	38.1
1001 to 3000	210	43.8
3001 to 5000	47	9.8
5001 to 7000	24	5.0
7001 to 9000	8	1.7
9001 to 11,000	7	1.5
11,001 and above	1	.2

were used to validate the use of factor analysis. Exploratory factor analyses were conducted on the various constructs, namely brand salience (5 items), brand performance (14 items) brand imagery (4 items), brand judgment (19 items), brand feelings (5 items) and brand resonance (17 items). The convergent and discriminant validity of the constructs were tested by principal components analysis. The KMO index for all the analyses were found to be greater than 0.80, which indicates the presence of sufficient intercorrelations in the data matrix and appropriateness of factor analysis.

In order to test the reliability of the scales and each of the brand equity constructs, Cronbach's alpha scores were evaluated. The factor analysis for the construct brand identity that measures brand salience produced only one factor with an eigen value of 4.34 contributing 86.81% to item variance. The factor analysis for brand meaning produced four factors with eigen values greater than 1 contributing 56.11% to item variance but only the first two factors, BP1 and BP2, have an acceptable reliability of 0.875 and 0.886 respectively. The factor of brand imagery does not have an acceptable reliability so this variable is dropped from subsequent analysis. Factor analysis on brand responses produced six factors with eigen value greater than 1 contributing 65.06 % to item variance, but only the first two factors namely brand judgments and brand feelings have acceptable reliability. Factor analysis on variable brand resonance produces five factors with eigen values more than one contributing to 57.38 % to item variance. However, only the first factor has an acceptable reliability that is, 0.90. The results of factor analyses are shown in Table 2.

Correlation Analysis

The means and standard deviations of the study variables are shown on Table IV. Pearson correlation was performed to obtain an understanding of the relationship between all the variables in the study. The values of the correlation coefficients given in Table V reflect the degree of association between each of these variables. From Table V, it is evident that there

Table 2. Exploratory Factor Analysis and Scale Reliability

Items	Loading	TVE	MSA	Signif.	Reliability
Brand Salience					
I know how the symbol of Bank X looks like	0.99				
I know the color that symbolizes Bank X	0.99				
I can recognize Bank X among other competing banks	0.99				
I can quickly recall the symbol of logo of Bank X	0.99	86.81	0.898	0.00	0.92
Brand Performance 1 (BP1)					
Compared to other commercial banks, Bank X gives a better service	0.83				
The services of Bank X are effective	0.82				
Compared to other commercial banks, Bank X satisfies my basic needs	0.80				
Bank X has special features	0.80				
It is easy to get services from Bank X	0.75				
Bank X uses high technology in its services	0.66				0.88
Brand Performance 2 (BP2)					
Compared to other commercial banks, the service charge of bank X is high ®	0.95				
Compared to other commercial banks, the rate of interest of bank X is high ®	0.95	56.11	0.81	0.00	0.89
Brand Judgments					
My overall opinion of Bank X is good	0.84				
I trust Bank X so much	0.80				
The quality of Bank X is consistent	0.80				
I am likely to recommend Bank X to others	0.78				
Personally, Bank X is relevant to me	0.80				
Bank X is innovative	0.75				
The staff of bank X is knowledgeable	0.69	53.37	0.89	.00	0.89
Brand Feelings					
Bank X gives me a feeling of self-respect	0.88				
Bank X gives me a feeling of social approval	0.86				
Bank X gives me a feeling of excitement	0.82				
Bank X gives me a feeling of security	0.79	71.26	0.84	.00	0.86
Brand Resonance					
I really love Bank X	0.85				
Bank X is the one bank that I prefer	0.81				
I feel Bank X is the only bank that I need	0.80				
I am proud to have others know that I am a customer of Bank X	0.78				
I consider myself loyal to Bank X	0.77				
I feel like I almost belong to a club with other customers of Bank X	0.77				
I am always interested in learning more about Bank X	0.74	57.38	0.88	.00	0.90

TVE=Total Variance Explained; MSA = Measure of Sampling Adequacy; ® = reversed coded items

is a strong, significant and positive correlation between brand performance and brand judgment (r = 0.79) at a significant level of 0.01. There is also a strong, significant and positive correlation between brand performance and brand resonance (r = 0.63) at a significant level of 0.01 and between brand performance and brand feelings (r = 0.59). Correlation is also strong, significant and positive (r = 0.71) at a significant level of 0.01 for brand judgment and brand resonance, and also between brand resonance and brand feelings (r = 0.74). The correlations between some of the variables are weak, for example between brand performance and brand judgments (r = 0.154), between brand performance 2 and brand feelings (r = 0.14), and between brand performance 2 and brand resonance (r = 0.18).

Discussion

From the results of factor analyses on the constructs of brand equity as proposed in the Brand Resonance Model by Keller (2001), it is evident that only five factors are relevant in building brand equity of services particularly the banking service. These five factors which form the determinants of service equity are brand salience, brand performance, brand judgment, brand feelings and brand resonance. Among these variables, brand performance is strongly related to brand judgment, brand feelings and brand resonance. Similarly brand judgment is also strongly related to brand feelings and brand resonance. There is also a strong relationship between brand feelings and brand resonance.

Table 3. Mean and Standard Deviation for Study Variables

Variables	Mean	Standard Deviation
Brand Salience	4.53	4.38
Brand Performance 1	3.76	0.67
Brand Performance 2	3.68	4.45
Brand Judgments	3.72	0.69
Brand Feelings	3.48	0.69
Brand Resonance	3.26	0.78

Table 4. Pearson Correlation

		Salience	Perform1	Perform2	Judgment	Feelings	Resonance
1.	Brand Salience	1.00					
2.	Brand Performance 1	.084	1.00				
3	Brand Performance 2	.018	.206**	1.00			
4	Brand Judgments	.079	.786**	.154**	1.00		
5.	Brand Feelings	.027	.592**	.142**	.699**	1.00	
6	Brand Resonance	.047	.626**	.183**	.708**	.742**	1.00

*** Correlation is significant at 0.01 level (2-tailed)*

Conclusion

From this study, the Brand Resonance model which is a customer-based brand equity model maintains that building a strong brand involves a series of logical steps as suggested by Keller (2001) that is, establishing brand identity, creating appropriate brand meaning, eliciting the right brand response and forging appropriate brand relationships with customers. It implies that consumer awareness contributes in building the meaning of the brand which will influence consumer responses towards the brand, which in turn, will contribute in the establishment of consumer-brand relationship. The importance of this model is that it provides a road map and guidance to marketers in building strong brands. It also implies that marketers, must take responsibility to design and implement effective and efficient brand building programs in order to achieve resonance with their customers.

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